MULBERRY GROUP PLC

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FINANCIAL HIGHLIGHTS

	2003	2002
Turnover	£28.2m	£27.8m
Operating loss	£(1.7m)	£(0.8m)
Loss before tax	£(2.1m)	£(1.7m)
Loss per share	(6.64p)	(5.40p)

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CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

It has been eight months since my appointment as Chairman and this is my second report to shareholders. For the second year running we have recorded a loss predominantly owing to substantial one-off costs. This year the one-off costs were mainly associated with the resignation of Roger Saul as Chairman and Chief Executive after an extended shareholder dispute, the costs of that dispute including the requisitioned EGM and further management changes concluded in the year. Roger has now taken on a Non-Executive role as President.

We are on our way to achieving my first objective of breaking the loss making pattern of recent years and we have continued to address vigorously, the issues that face the Group. We have continued with the programme of cost reduction, which started as soon as I was appointed, increasing the total annualised saving to more than £1 million.

The management team has been completed with the appointment of a new Chief Operating Officer and a new Director of Sales and Marketing, adding to the Director of Design appointed last year. Shareholders and customers will see stylish and commercial new product ranges launched over the next year, adding to the classic Mulberry favourites and broadening the appeal of our brand.

In the last two years the Group has spent in excess of £3 million on renewing the brand presentation, including refurbishing the Bond Street flagship store. I believe that the brand has been considerably strengthened as a result and that the business is now well positioned to progress. This expenditure combined with the losses of £4 million in the same period has consumed all of the money raised from the share placing in September 2000.

In the light of this, we have carefully considered the funding requirements of the business and the Board has concluded that the Group should raise £3.5 million from shareholders in order to put the Group in a secure financial position and fund future growth. This will be achieved by an open offer underwritten by Challice Limited. This offer is subject to shareholder approval. We have received irrevocable undertakings from certain shareholders which will ensure that the open offer proceeds. This is explained in more detail in the circular to shareholders which will accompany the Annual Report and Financial Statements.

RESULTS FOR THE YEAR ENDED 31 MARCH 2003

Sales for the year increased to £28.2 million (2002: £27.8 million). Sales of continuing operations increased by 3% to £27.7 million (2002: £26.9 million).

The Group made a loss before tax for the year of £2.1 million (2002: loss £1.7 million).

The continuing operations of the business made an operating loss of £0.6 million before exceptional costs of £0.9 million and the trading losses of the shop in Tokyo of £0.2 million, prior to its closure in the first quarter of the year.

We have completed a comprehensive review of all Group stocks and the Board has concluded that provisions should be increased by £0.5 million.

Gross profit for the year reduced by £1.3 million, with the gross margin, for continuing operations, falling from 50.3% to 45.3%. As reported at the half year, this reflected the higher proportion of sales made through the off price business and discounting to clear stocks, which have reduced by £1.7 million compared to last year. The gross margin, for continuing operations, improved in the second half to 45.8% from 44.8% in the first half.

THE MULBERRY BRAND

The repositioning of the Mulberry brand has continued, focusing on the UK market, and we are seeing the benefit with increased UK sales of accessories. In the light of the poor economic situation in Europe, we are focusing on the business of our franchise partners, which account for 58% of wholesale sales to Europe in the Spring/Summer 2003 season.

We have continued the introduction of the new retail format. In Harvey Nichols, in London, we have refitted the accessory area on the ground floor. We continue to work on the roll-out in Europe with our franchise partners. The Copenhagen franchised store, which has been fitted with the new look, continues to show strong sales growth.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW
(continued)

ACCESSORIES

Accessories are our core business and account for over 70% of Group sales. Spring/Summer 2003 wholesale sales of accessories to department stores and others in the UK have increased by 14% on the prior year. The recession in fashion retail in Europe and Scandinavia, which has hit Germany particularly badly, has been widely reported. In the Spring/Summer 2003 season, it has resulted in a reduction of 12% in our wholesale export business.

MEN'S AND WOMEN'S CLOTHING

The overhaul of our women's wear business to bring it into line with the accessories collections is underway and the first collection under the new regime reached the shops in July 2003. Our strategy is to limit the distribution of men's and women's wear and to focus on growing the sales of accessories which is our core business.

HOME COLLECTION

Sales of our Home furnishings collection, licensed with Kravet Lee Jofa, continues to grow satisfactorily in the USA while sales in Europe have been more difficult.

The first deliveries of the new Mulberry bath towel collection, licensed with Christy UK Limited, were made in April 2003. The Mulberry bed linen collection, licensed with Peter Reed Limited, will arrive in the shops shortly. Initial revenues from these licenses will be modest but they have good potential for the future.

RETAIL

Retail trading in London where most of the Group's own shops are based continues to be affected by the lack of tourists. However, total sales in our UK retail business increased by 3% in the year. As mentioned in my interim report in December, it is not possible to produce reliable like-for-like sales statistics for the period because of the extended closure of our Bond Street flagship store for sixteen weeks last year and the impact of shop openings and closures in both the year under review and the prior year. During the year two small loss making outlets were closed and a new accessories concession was opened in Harvey Nichols in Edinburgh.

OUTLOOK

Sales in our full price UK shops for the first thirteen weeks of the new financial year are 2% higher than last year. Early indications for the Autumn/Winter 2003 wholesale season for our core accessory business show growth in the UK and reduced export orders reflecting the continued economic problems in Europe. The appointment of the Director of Sales and Marketing and more recently, the Chief Operating Officer reflect the importance that the board attaches to the need to improve market share and sales performance. Following a successful project to improve accessory margins, a progressive increase is reported for Autumn/Winter 2003 and Spring/Summer 2004, despite the strengthening Euro. The cost reduction programme referred to above will lead to reduced operating expenses in the current year, notwithstanding the impact of inflation, National Insurance increases and the new additions to the management team.

DIVIDENDS

The Board is not recommending the payment of a dividend on the ordinary or preference shares.

STAFF

I would like to thank all our staff who have continued to drive the brand forward with optimism and commitment despite the exceptional events of the year.

Godfrey Davis
Chairman and Chief Executive
5 August 2003

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Godfrey Pawle Davis FCA (Chairman and Chief Executive) John Stuart Rogers ACFI (Sourcing Director and Chairman of the Audit Committee) Guy Gibson Rutherford FCCA (Group Finance Director) Roger John Saul (President and Non-Executive Director) Robert (Robin) Edward Graeme Gibson (Non-Executive Director and Chairman of the Remuneration Committee) Edward Vandyk (Non-Executive Director) Andrew Christopher Roberts (Non-Executive Director) all of:
Registered Office:	Kilver Court, Shepton Mallet, Somerset BA4 5NF
Secretary:	Guy Gibson Rutherford FCCA
Nominated Adviser and Nominated Broker:	Teather & Greenwood Limited Beaufort House 15 St. Botolph Street London EC3A 7QR
Registered Auditors:	Deloitte & Touche LLP Queen Anne House 69-71 Queen Square Bristol BS1 4JP
Solicitors:	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
Principal Bankers:	HSBC Bank plc PO Box 120 49 Corn Street Bristol BS99 7PP
Registrars:	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

Continuing operations

The turnover of continuing operations increased by 3% to £27.7 million. The flagship store in Bond Street was open for the full financial year and is a substantial part of the increase, combined with increased UK wholesale accessory sales and sales in the off price retail outlets.

Gross profit of the continuing operations decreased from 50.3% to 45.3%. This resulted principally from the cost of the stock reduction and the higher proportion of retail sales being made through the off price outlets which are at lower margins.

Two small loss making outlets were closed and all costs of closure were charged in the year. The Group will continue to review its outlets on an ongoing basis to ensure that they match the brand's profile and generate the required return.

Overheads reduced by 4%, excluding the exceptional one off costs, reflecting the cost savings from the management changes and cost reduction programme which has continued into the new financial year.

The exceptional items are the costs associated with the management changes including abortive recruitment costs, compensation for loss of office and the costs resulting from the shareholder dispute including the EGM requisition.

Discontinued operations

The discontinued operations highlighted on the face of the profit and loss account is the store in Tokyo, Japan, which closed on 20 June 2002. The trading performance of this store in the year, prior to its closure, is included.

TAXATION

The tax charge in the year is a small overseas charge relating to the discontinued Japanese operation and the write off of surplus Advanced Corporation Tax which, with the substantial tax losses brought forward, will not be recoverable in the next twelve months and so has been expensed for prudence.

ACCOUNTING POLICIES AND BALANCE SHEET VALUE

The Group's balance sheet reflects the £1.7 million reduction in stocks and the impact of the trading losses.

Capital expenditure for the year totalled £0.5 million (2002: £3.4 million) and the depreciation charge for the year was £0.9 million (2002: £0.8 million). The Bond Street store accounted for £0.2 million of the capital expenditure.

The balance sheet is underpinned by the substantial value of the brand name, copyrights and trademarks which are not valued and it is Group policy to expense all costs related to these as they are incurred.

A large proportion of the Group's production is pre-sold to a wide spread of customers. The Group's bad debt experience is satisfactory and a large proportion of the UK and overseas debtors are insured.

There have been no changes of accounting policy during the year.

CASH FLOW

The Group's net borrowings reduced by £0.2 million during the year. Cash outflow resulting from the operating loss was offset by a reduction in the working capital requirement resulting from stock reduction and an increase in creditors.

TREASURY AND FOREIGN EXCHANGE

The Group has continued its policy of balancing its currency exchange exposures which arise through normal trading. This is achieved by trying to create a natural hedge of inflows and outflows, generated from normal trading, principally in the euro to minimise the potential impact on the Group of movements in exchange rates.

The Group's financial instruments, other than derivatives, comprise borrowings, long-term loans, cash and liquid resources and various items, such as trade debtors, trade creditors, etc., that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into forward foreign currency contracts. The purpose of such transactions is to manage the currency risks arising from the Group's operations and its sources of finance not covered by the natural hedging process.

It is, and has been throughout the period under review, the Group's policy not to trade in financial instruments.

To assist the balancing of euro inflows and outflows the final European markets outside of the euro-zone will be invoiced in euros with effect from the Autumn/Winter 2003 season.

Guy Rutherford
Group Finance Director
5 August 2003

CORPORATE GOVERNANCE

In June 1998 the Hampel Committee and the London Stock Exchange published the Combined Code on corporate governance.

The Company is listed on the Alternative Investment Market and accordingly is not covered by the Combined Code. However, the Directors support the principles contained in the Combined Code and apply these where they consider it is appropriate to Mulberry Group plc. In September 1999, the Turnbull Committee published Internal Control Guidance for Directors on the Combined Code. The Board supports the recommendations made but does not consider them to be, at this stage, wholly applicable to a group of Mulberry's size.

THE BOARD OF DIRECTORS

The Board currently comprises three Executive Directors and four Non-Executive Directors. Details of the Directors are set out on pages 12 and 13. As recommended by the Combined Code since the roles of Chairman and Chief Executive are not separated, the Directors consider it important that the Board should include Non-Executive Directors who bring strong independent judgement and considerable knowledge and experience to the Board's deliberations.

The Board meets formally on a bi-monthly basis and is responsible *inter alia* for overall Group strategy, investments and capital projects and for ensuring that an appropriate framework of internal control is in place throughout the Group.

The Executive Directors are each employed under a contract of employment which can be terminated on not more than one year's notice.

Roger Saul provides his services under a 2 year fixed term contract which commenced on 1 December 2002.

The other Non-Executive Directors provide their services under three year agreements.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by a Non-Executive Director, Robin Gibson. The Committee is responsible for determining the remuneration and terms and conditions of employment of Executive Directors and senior employees of the Group. The report of the Board on the Remuneration of the Directors is set out on pages 10 and 11.

AUDIT COMMITTEE

The Audit Committee is chaired by an Executive Director, John Rogers. It is the opinion of the Board that all Directors should attend Audit Committee meetings where possible as part of the programme to maintain the Group's systems of internal control. The Committee may examine any matters relating to the financial affairs of the Group. This includes review of the annual financial statements prior to their approval by the Board, together with accounting policies and compliance with accounting standards, and of internal control procedures and monthly financial reporting, and other related functions as the Committee may require. The Non-Executive Directors have access to the Group's auditors and legal advisers at any time without Executive Directors being present.

INTERNAL FINANCIAL CONTROL

The Board has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness.

The Directors place considerable importance on maintaining full control and direction over appropriate strategic, financial, organisational and compliance issues, and have put in place an organisational structure with formally defined lines of responsibility and delegation of authority. There are established procedures for planning and capital expenditure, for information and reporting systems and for monitoring the Group's business and its performance. Adherence to specified procedures is required at all times and the Board actively promotes a culture of quality and integrity. Compliance is monitored by the Directors.

The systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include comprehensive budgeting systems with an annual budget approved by the Board, monthly consideration of actual operational results compared with budgets, forecasts and regular reviews by the Board of year end forecasts. The Board reports to shareholders half-yearly.

The Group's control systems address key business and financial risks. Matters arising are reviewed on a regular basis. Performance indicators are reviewed at least monthly to assess progress towards objectives. Variances from approved plans are followed up vigorously.

The auditors are engaged to express an opinion on the financial statements. They review and test the system of internal financial control and the data contained in the financial statements to the extent necessary to express their audit opinion.

GOING CONCERN

Based upon its review of the Group's working capital requirements for the next twelve months and borrowing facilities expected to be available, the Board considers that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 16 to 40 have been prepared on the going concern basis.

REPORT OF THE BOARD ON THE REMUNERATION OF THE DIRECTORS

The Remuneration Committee comprises:

Robin Gibson (Chairman and Non-Executive Director)
Andrew Christopher Roberts (Non-Executive Director)
Roger Saul (Non-Executive Director)
Edward Vandyk (Non-Executive Director)

The Committee decides the remuneration policy that applies to Executive Directors and the Group's other senior management. In setting the policy it considers a number of factors including:

- the basic salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Directors of an appropriate calibre; and
- the need to ensure Executive Directors' commitment to the continued success of the Group by means of incentive schemes.

The Committee meets at least once a year in order to consider and set the annual salaries for Executive Directors, having regard to personal performance and independently compiled salary survey information. Executive Directors' salaries are reviewed on 31 March each year. The review of the remuneration of all other Group employees, including Directors of subsidiary companies, is also on 31 March.

Full details of Directors' remuneration and share options are given in note 8.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Non-Executive Directors each receive a fee for their services, which is agreed by the Board following independent advice taking into account the role to be undertaken.

Roger Saul was appointed, as a Non-Executive Director, on a 2 year fixed term contract which commenced on 1 December 2002. The other Non-Executive Directors are appointed for a three year term. Non-Executive Directors do not receive any pension or other benefits from the Company, nor do they participate in any of the bonus, incentive or share option schemes. Roger Saul was entitled to 100,000 options under his previous executive role. These options expired on 21 May 2003.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's remuneration policy for Executive Directors is to:

- have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains Directors of the highest quality;
- link individual remuneration packages to the Group's long-term performance through the award of share options and incentive schemes;
- provide post-retirement benefits through the Group's pension schemes; and
- provide employment-related benefits including the provision of a company car or cash alternative, life assurance, insurance relating to the Director's duties and medical insurance.

SALARIES AND INCENTIVE BONUSES

Each Executive Director receives a base salary and an annual incentive bonus which shall not in any year exceed 50% of the basic salary for the Director. The base salary reflects job responsibility, market value and the sustained level of individual performance. In the light of the difficult trading environment facing the Group, the Board have not taken any pay increases in the year.

The incentive bonus is paid as a percentage of the increase in Group profit before tax compared with the previous year. This is intended to be a simple and reliable measure consistent with the maximisation of shareholder value. No bonuses were paid to Group Directors in the year.

DIRECTORS' REPORT

For the year ended 31 March 2003

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditors' report, for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group continue to be the design and manufacture of fashion accessories, clothing and interior design products and their subsequent wholesale and retail sale in home and export markets. The Group has branches overseas.

A review of the business during the year and likely future developments is given in the Chairman and Chief Executive's review on pages 3 to 4.

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the year is set out on page 16. The Directors are unable to recommend the payment of any dividends (2002 – Nil).

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are shown below.

Godfrey Davis, FCA, 54, is Chairman and Chief Executive. He joined Mulberry as Group Finance Director in 1987 after 15 years at Arthur Andersen where he was an international partner.

John Rogers, ACFI, 58, is the Sourcing Director and Chairman of the Audit Committee. He worked with Mulberry from 1986 as a consultant, joining the Company full-time in 1990. Previously, he worked with international consultants specialising in the textile industry before forming his own consulting practice. At Mulberry he is responsible for the planning, production and distribution functions of the Accessories and Ready to Wear divisions.

Guy Rutherford, FCCA, 38, is the Group Finance Director. He joined Mulberry in January 1999 and was appointed Group Finance Director on 30 September 1999. Previously he held senior financial and commercial roles with a number of organisations, latterly Hays Commercial Services. At Mulberry he is responsible for corporate finance, the IT systems, accounting, finance and treasury functions.

Roger Saul, 53, is President and a Non-Executive Director. In 1971, he founded Mulberry and over more than 30 years he has built the Group from a small accessory designer to an international brand, achieving many awards for export and design.

Robin Gibson, 61, is a Non-Executive Director and Chairman of the Remuneration Committee. He was appointed on 1 May 1996. Formerly, he was chief executive of the Bradstock Group plc, a company quoted on the London Stock Exchange and involved in insurance and reinsurance broking.

Edward Vandyk, 55, is a Non-Executive Director. He was appointed on 6 June 2002. He is also a Director of Abingdon Capital plc and Corporate Synergy plc, a regulated corporate finance firm, specialising in acting for small quoted companies.

Andrew Christopher Roberts, 40, is a Non-Executive Director. He was appointed on 6 June 2002. Chris is Finance Director of Abingdon Capital plc, an AIM quoted financial services group. He is a Chartered Certified accountant and is also on the Board of the following other quoted companies: Redstone plc, Elite Strategies plc, Bionex Investments plc.

Directors' interests in the shares of the Company

	5p ordinary shares 2003	*5p ordinary shares 2002*
Godfrey Davis	1,621,324	1,621,324
Robin Gibson	13,245	13,245
John Rogers	92,180	92,180
Roger Saul – beneficial	8,315,776	8,315,776
– non-beneficial	2,197,314	2,197,314

The other Directors had no interests in the shares of the Company.

Details of Directors' share options are disclosed in note 8 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

At 31 March 2003 the Company had been notified of the following interest in 3% or more of the share capital of the Company, other than those of the Directors above:

Ordinary Shares		
Zoar Invest	1,155,679 shares	3.2%
Friheden Invest	1,500,000 shares	4.1%
Challice Limited	15,000,000 shares	41.50%
7% B convertible Preference Shares		
Challice Limited	8,000,000 shares	100%

SUPPLIER PAYMENT POLICY

The Company's current policy concerning the payment of its suppliers is:

(a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;

(b) ensure that those suppliers are made aware of the terms of payment; and

(c) abide by the terms of payment.

At the year end, trade creditors expressed as a number of days purchases outstanding was nil for the Company (2002 – nil). For Mulberry Company (Design) Limited, the main trading subsidiary, it was 45 days (2002 – 65 days).

EQUAL OPPORTUNITIES

The Group is committed to an active equal opportunities policy. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. We apply employment practices which are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

DIRECTORS' REPORT
(continued)

EMPLOYEE CONSULTATION
The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group, which is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

On 20 May 1996, the Company introduced The Mulberry Group plc 1996 Company Share Option Scheme, under which all employees are eligible to participate at the discretion of the Board.

CHARITABLE AND POLITICAL DONATIONS
The Group made charitable donations of £18,528 (2002 – £1,102) during the year principally in support of the Bottletop campaign. The Group made no political donations during the year.

RESPONSIBILITIES OF THE DIRECTORS
United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS
Arthur Andersen resigned on 31 July 2002. On 1 August 2002, Deloitte & Touche were appointed to fill a casual vacancy.

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provision of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Kilver Court
Shepton Mallet
Somerset
BA4 5NF

By order of the Board

G G Rutherford
Secretary

5 August 2003

INDEPENDENT AUDITORS' REPORT

To the members of Mulberry Group plc

We have audited the financial statements of Mulberry Group plc for the year ended 31 March 2003 which comprise the Consolidated Profit and Loss account, Balance sheets, Consolidated cash flow statement, Statement of Total Recognised Gains and Losses, Note of historical cost profits and losses, and the related notes numbered 1 to 25 together with the reconciliation of net cashflow to movement in net debt. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman and Chief Executive's review, Financial review, Corporate governance statements, Report of the Board on the remuneration of the Directors, Directors' report and Five-year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

Bristol

5 August 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

	Note	2003 Before exceptional items £'000	2003 Exceptional Items £'000	2003 Total £'000	2002 Total £'000
Turnover	2				
Continuing operations		27,736	–	27,736	26,916
Discontinued operations		441	–	441	901
		28,177	–	28,177	27,817
Cost of sales	3	(15,499)	–	(15,499)	(13,873)
Gross profit	3	12,678	–	12,678	13,944
Other operating expenses (net)	3, 4	(13,467)	(873)	(14,340)	(14,757)
Operating loss					
Continuing operations		(608)	(873)	(1,481)	(183)
Discontinued operations		(181)	–	(181)	(630)
		(789)	(873)	(1,662)	(813)
Loss on disposal of fixed assets	4			–	(593)
Group share of profit of associated undertakings				1	1
Finance charges	5			(450)	(343)
Loss on ordinary activities before taxation	6			(2,111)	(1,748)
Tax on loss on ordinary activities	9			(91)	(6)
Loss on ordinary activities after taxation, being loss for the financial year	21			(2,202)	(1,754)
7% preference dividend on non-equity shares				(196)	(196)
1% preference dividend on non-equity shares				(3)	(3)
Loss for the year transferred from reserves				(2,401)	(1,953)
Loss per ordinary share					
– basic	10			(6.64p)	(5.40p)
– diluted	10			(6.64p)	(5.40p)

A statement of movements on reserves is given in note 20.

The accompanying notes form an integral part of this consolidated profit and loss account.

CONSOLIDATED BALANCE SHEET

31 March 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	11	6,533	6,952
Investments	12	76	75
		6,609	7,027
Current assets			
Stocks	13	7,435	9,096
Debtors	14	4,027	3,938
Cash at bank and in hand		71	151
		11,533	13,185
Creditors: Amounts falling due within one year	15	(10,996)	(8,623)
Net current assets		537	4,562
Total assets less current liabilities		7,146	11,589
Creditors: Amounts falling due after more than one year	16	(373)	(2,654)
Net assets		6,773	8,935
Capital and reserves			
Called-up share capital	19	2,457	2,457
Share premium account	20	8,931	8,941
Revaluation reserve	20	173	204
Capital redemption reserve	20	154	154
Preference dividend reserve	20	250	51
Profit and loss account	20	(5,192)	(2,872)
Shareholders' funds	21	6,773	8,935
Shareholders' funds may be analysed as:			
Equity interests		3,764	6,125
Non-equity interests		3,009	2,810
		6,773	8,935

The accompanying notes form an integral part of this consolidated balance sheet.

Approved by the Board of Directors on 5 August 2003.

G P Davis

G G Rutherford

COMPANY BALANCE SHEET

31 March 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	11	2,078	2,160
Investments	12	8,228	9,587
		10,306	11,747
Current assets			
Debtors	14	1,158	58
Creditors: Amounts falling due within one year	15	(4,374)	(798)
Net current liabilities		(3,216)	(740)
Total assets less current liabilities		7,090	11,007
Creditors: Amounts falling due after more than one year	16	–	(2,000)
Provisions for liabilities and charges	18	–	(70)
Net assets		7,090	8,937
Capital and reserves			
Called-up share capital	19	2,457	2,457
Share premium account	20	8,931	8,941
Revaluation reserve	20	173	204
Capital redemption reserve	20	154	154
Preference dividend reserve	20	250	51
Profit and loss account	20	(4,875)	(2,870)
Shareholders' funds	21	7,090	8,937
Shareholders' funds may be analysed as:			
Equity interests		4,081	6,127
Non-equity interests		3,009	2,810
		7,090	8,937

The accompanying notes form an integral part of this balance sheet.

Approved by the Board of Directors on 5 August 2003.

G P Davis

G G Rutherford

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash inflow/(outflow) from operating activities	22a	1,293	(2,248)
Returns on investments and servicing of finance	22b	(453)	(579)
Taxation		(2)	(6)
Capital expenditure	22b	(600)	(2,146)
Cash inflow/(outflow) before financing		238	(4,979)
Financing	22b	(328)	829
Decrease in cash in the year	22c	(90)	(4,150)

Reconciliation of net cash flow to movement in net debt

		2003 £'000	2002 £'000
Decrease in cash in the year		(90)	(4,150)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	22c	318	(829)
		228	(4,979)
Inception of finance leases	22c	(41)	(997)
Movement in net debt		187	(5,976)
Net debt, beginning of year	22c	(6,751)	(775)
Net debt, end of year	22c	(6,564)	(6,751)

The accompanying notes form an integral part of this consolidated cash flow statement.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2003

	2003 £'000	2002 £'000
Loss for the financial year	(2,202)	(1,754)
Currency translation differences on foreign currency net investments	50	(80)
Total recognised gains and losses in the year	(2,152)	(1,834)

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 March 2003

	2003 £'000	2002 £'000
Reported loss on ordinary activities before taxation	(2,111)	(1,748)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	31	31
Historical cost loss on ordinary activities before taxation	(2,080)	(1,717)
Historical cost loss for the year after taxation and preference dividends	(2,370)	(1,922)

The accompanying notes form an integral part of this consolidated statement of total recognised gains and losses, and this consolidated note of historical cost profits and losses.

NOTES TO FINANCIAL STATEMENTS
31 March 2003

1 **Accounting policies**

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable Accounting Standards.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of Mulberry Group plc and its subsidiary undertakings. The results of subsidiaries acquired or disposed of in any year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Any goodwill arising on consolidation (representing the excess of the consideration given over the fair value of the separable net assets acquired) on acquisitions in the year ended 31 March 1998 and earlier periods was written off against reserves on acquisition in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet.

On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit and loss on disposal.

No profit and loss account is presented for Mulberry Group plc, as permitted by s230 of the Companies Act 1985. The movement in the Company's reserves is shown in note 20.

c) Tangible fixed assets

The Group has taken advantage of the transitional provisions of FRS 15 'Tangible Fixed Assets' and retained the book amounts of freehold and leasehold properties which were revalued prior to implementation of that standard. The properties were last revalued at November 1989 and the valuations have not subsequently been updated.

Tangible fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets other than land at rates calculated to write off the cost or valuation of fixed assets to their estimated residual value, over expected useful lives, using the following annual rates, on a straight line basis:

Freehold buildings	4%
Short leaseholds	over the term of the lease
Plant and equipment	20%
Fixtures, fittings and equipment	10% to 33%
Motor vehicles	25%

The revaluation reserve is amortised to the profit and loss account at similar rates to the depreciation of the related properties.

d) Fixed asset investments

Shares in subsidiary companies are included in the Company's balance sheet at original cost to the Company less any provision for impairment. Only dividends received or receivable are included in the Company's profit and loss account for the year.

Associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of these undertakings' profits less losses, while the Group's share of the net assets is shown in the consolidated balance sheet.

1 **Accounting policies (continued)**

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is based on purchase cost including transport, plus a reasonable proportion of manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow moving or defective items where appropriate.

f) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

The taxation liabilities of certain Group undertakings are reduced wholly or in part by the surrender of losses by fellow Group undertakings for which payment is made.

g) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or are shown as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

1 **Accounting policies (continued)**

h) Pension costs

The Group operates non contributory money purchase schemes for Directors and employees. The employee schemes are available to all employees after a qualifying period of service. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

i) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The profit and loss accounts and the assets and liabilities of foreign subsidiaries are translated at rates ruling at the balance sheet date. Exchange differences which arise from the retranslation of the opening net assets of foreign subsidiaries are taken directly to reserves.

j) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra Group transactions) of goods and services in the normal course of business.

k) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

2 **Turnover**

Segmental disclosures have been omitted, as in the opinion of the Directors they would be seriously prejudicial to the Group.

3 Sales, cost of sales, gross profit & other operating expenses (net)

	2003 Continuing Operations £'000	*2003 Discontinued Operations £'000*	*2003 Total £'000*	*2002 Continuing Operations £'000*	*2002 Discontinued Operations £'000*	*2002 Total £'000*
Sales	27,736	441	28,177	26,916	901	27,817
Cost of sales	(15,162)	(337)	(15,499)	(13,387)	(486)	(13,873)
Gross profit	12,574	104	12,678	13,529	415	13,944
Distribution costs	(734)	–	(734)	(675)	–	(675)
Selling & marketing costs	(9,133)	(285)	(9,418)	(8,967)	(1,045)	(10,012)
Administrative expenses	(4,694)	–	(4,694)	(4,662)	–	(4,662)
	(14,561)	(285)	(14,846)	(14,304)	(1,045)	(15,349)
Other operating income	506	–	506	592	–	592
Other operating expenses (net)	(14,055)	(285)	(14,340)	(13,712)	(1,045)	(14,757)
Operating (loss)/profit	(1,481)	(181)	(1,662)	(183)	(630)	(813)

4 Loss on disposal of fixed assets

The loss on disposal of fixed assets of £593,000 in 2002 principally related to the write-off of assets disposed of as part of the refurbishment of the Bond Street flagship store, and the closure of the shop in Japan on 20 June 2002.

The effect of these exceptional items reported after operating profit on the amounts charged to the profit and loss account for taxation was £Nil.

5 Finance charges

	2003 £'000	*2002 £'000*
On bank loans and overdrafts	377	303
On finance leases and hire purchase contracts	73	40
	450	343

6 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging the following:

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets		
– owned	556	521
– held under finance leases and hire purchase contracts	306	297
Operating lease rentals:		
– plant and machinery	170	219
– other	1,342	1,427
Auditors' remuneration		
– audit fees	36	36
– non-audit fees	–	–

7 Staff costs

Particulars of employees (including Executive Directors) are shown below:

	2003 £'000	2002 £'000
Employee costs during the year amounted to:		
Wages and salaries	5,716	5,746
Social security costs	609	647
Other pension costs (note 23)	250	237
	6,575	6,630

The average monthly number of persons employed by the Group during the year, including those on a part time basis, was as follows:

	2003 Number	2002 Number
Production	195	194
Sales and distribution	232	222
Administration	37	38
	464	454

NOTES TO FINANCIAL STATEMENTS
(continued)

8 Directors' remuneration and transactions
Directors' remuneration

	2003 £'000	2002 £'000
Emoluments	1,019	728
Money purchase pension contributions	107	113
	1,126	841

Name of Director	Fees/Basic salary and bonus £'000	Taxable benefits £'000	Money purchase pension contributions £'000	Compensation for loss of office £'000	2003 Total £'000	2002 Total £'000
Executive						
Godfrey Davis	167	9	42	–	218	216
John Rogers	86	15	26	–	127	131
Guy Rutherford	85	9	12	–	106	114
Roger Saul	186	17	27	370	600	335
Non-Executive						
Roger Saul	40	6	–	–	46	–
Robin Gibson	15	–	–	–	15	15
Bernard Heng – resigned	3	–	–	–	3	15
Tom Vaughan – resigned	3	–	–	–	3	15
Edward Vandyk	4	–	–	–	4	–
Christopher Roberts	4	–	–	–	4	–
Total	593	56	107	370	1,126	841

Annual bonuses are determined by the Remuneration Committee based on the increase in Group profit before tax. Bonuses are capped at 50% of basic salary.

Three (2002 – four) directors are members of money purchase pension schemes.

Directors' share options
Emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in the Company granted to or held by the Directors. Details of the options are as follows:

	Exercise price £	31 March 2002	Exercised during period	31 March 2003	Exercise price £
John Rogers	1.53	100,000	–	100,000	1.53
Roger Saul	1.53	100,000		100,000	1.53
Godfrey Davis	1.53	100,000	–	100,000	1.53
Guy Rutherford	0.45	50,000	–	50,000	0.45

Options held by Roger Saul, Godfrey Davis and John Rogers are exercisable between 21 May 1999 and 21 May 2003.

Options held by Guy Rutherford are exercisable between 11 November 2004 and 11 November 2009.

The market price of the ordinary shares at 31 March 2003 was 52.5p and the range during the year was 69.5p to 38p.

9 Tax on loss on ordinary activities

	2003 £'000	2002 £'000
Adjustment to prior year corporation tax	89	–
Foreign tax	2	6
	91	6

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(2,111)	(1,748)
Tax on Group loss on ordinary activities at standard UK corporation tax rate of 30% (2002 – 30%)	(633)	(524)
Effects of:		
Expenses not deductible for tax purposes	113	43
Depreciation in excess of capital allowances	(39)	112
Utilisation of tax losses	(253)	(211)
Losses carried forward to offset against future profits	812	580
Higher tax rates on overseas earnings	2	6
Adjustments to tax charge in respect of previous periods	89	–
Group current tax charge for period	91	6

The tax charge in future periods may be affected by the following:

The Group has tax losses carried forward for utilisation in future years of approximately £5,422,000 (2002 – £2,750,000). Deferred tax assets totalling £1,626,000 (2002 – £825,000) have not been recognised as the availability of suitable taxable profits in the future is not sufficiently certain.

The amount of deferred tax that has not been provided on revalued fixed assets is £61,000 (2002 – £71,000), this has not been provided as the Directors have no intention to sell the revalued assets. This would only become payable if the assets were sold at their current net book value.

10 Loss per ordinary share

Basic and diluted earnings per ordinary share has been calculated by dividing the loss on ordinary activities after taxation and dividends on non-equity shares for each financial year by 36,147,123 (2002 – 36,147,123) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

NOTES TO FINANCIAL STATEMENTS
(continued)

11 Tangible fixed assets
a) Group

	Freehold land and buildings £'000	*Short leasehold land and buildings £'000*	*Plant and equipment £'000*	*Fixtures, fittings and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost or valuation						
Beginning of year	2,520	3,405	2,091	5,434	205	13,655
Exchange adjustments	–	35	–	45	–	80
Additions	1	179	101	236	–	517
Disposals	(20)	(14)	–	(927)	(81)	(1,042)
End of year	2,501	3,605	2,192	4,788	124	13,210
Depreciation						
Beginning of year	791	314	1,872	3,623	103	6,703
Exchange adjustments	–	–	–	44	–	44
Charge	66	205	105	456	30	862
Disposals	(20)	–	–	(866)	(46)	(932)
End of year	837	519	1,977	3,257	87	6,677
Net book value						
Beginning of year	1,729	3,091	219	1,811	102	6,952
End of year	1,664	3,086	215	1,531	37	6,533

Included in short leaseholds, plant and equipment, motor vehicles and fixtures and fittings at 31 March 2003 are items acquired under hire purchase contracts and finance lease agreements with a net book value of £882,317 (2002 – £1,234,000).

Freehold land of £1,006,000 (2002 – £1,006,000) has not been depreciated.

11 Tangible fixed assets (continued)

b) Company

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
Beginning of year	2,520	153	501	3,174
Additions	1	1	18	20
Disposals	(20)	–	–	(20)
End of year	2,501	154	519	3,174
Depreciation				
Beginning of year	791	70	153	1,014
Charge	66	11	25	102
Disposals	(20)	–	–	(20)
End of year	837	81	178	1,096
Net book value				
Beginning of year	1,729	83	348	2,160
End of year	1,664	73	341	2,078

Freehold land of £1,006,000 (2002 – £1,006,000) has not been depreciated.

c) Tangible fixed assets at valuation

Certain freehold and leasehold land and buildings are included at valuation with subsequent additions at cost. The freehold land and buildings were revalued at £2,189,000 in November 1989 by Cooper and Tanner Limited, Surveyors and Valuers. The revaluation was based on the open market value of the freehold interest with vacant possession.

The original cost and aggregate depreciation of those assets included above at valuation is set out below:

Group and Company	*Freehold land and buildings*		*Short leaseholds*	
	2003 £'000	*2002 £'000*	*2003 £'000*	*2002 £'000*
Original cost	1,582	1,582	66	66
Depreciation based on cost	(336)	(292)	(66)	(64)
Net book value	1,246	1,290	–	2

NOTES TO FINANCIAL STATEMENTS
(continued)

12 Fixed asset investments

a) Group

Group investments in associated undertakings comprise:

50% of the ordinary share capital of Mulberry Oslo AS, a Company incorporated in Norway. The principal activity of the Company is the operation of retail shops in Norway. The Company's year end is 31 December which is not coterminous with that of the Group.

The movement in the year was as follows:	*2003*	*2002*
	£'000	*£'000*
Beginning of year	75	78
Share of profit for the year	1	1
Exchange adjustment	–	(4)
End of year	76	75

b) Company

The Company's principal investments comprise shareholdings in the following entities:

Name	*Shareholding*	*Principal activity*	*Country of registration*
Subsidiary undertakings			
Mulberry Company (Design) Limited	100% ordinary shares	Design and manufacture of clothing and fashion accessories in the UK	England and Wales
Mulberry Company (Europe) Limited	99% ordinary shares	Establishment and operation of retail shops in Europe	England and Wales
Mulberry Company (France) SARL	100% ordinary shares	Establishment and operation of retail shops in France	France
Mulberry Company (Sales) Limited	99% ordinary shares*	Establishment and operation of retail shops in the UK	England and Wales
Kilver Street Inc	100% ordinary shares	Holding Company	USA
Mulberry (UK) Limited	100% ordinary shares	Dormant	England and Wales
Mulberry Company (Holdings) Limited	100% ordinary shares	Dormant	England and Wales
Mulberry Company (Shoes) Limited	100% ordinary shares	Dormant	England and Wales
Mulberry Company (Far East) Limited	100% ordinary shares	Dormant	Hong Kong
Mulberry Fashions Limited	100% ordinary shares**	Dormant	England and Wales
Mulberry Leathers Limited	100% ordinary shares**	Dormant	England and Wales

*owned through Mulberry Company (Europe) Limited.

**owned through Mulberry Company (Holdings) Limited.

Joint venture			
Mulberry USA LLC	50% ordinary shares	Establishment of retail shops in the USA – non trading	USA

The movement in the year was as follows:			*2003*
	Shares	*Loans*	*Total*
Cost	*£'000*	*£'000*	*£'000*
Beginning and end of year	1,498	11,804	13,302
Provision for impairment			
Beginning of year	(1,460)	(2,255)	(3,715)
Charge	–	(1,359)	(1,359)
End of year	(1,460)	(3,614)	(5,074)
Net book value			
Beginning of year	38	9,549	9,587
End of year	38	8,190	8,228

13 Stocks

	Group	
	2003	*2002*
	£'000	*£'000*
Raw materials and consumables	1,306	1,151
Work-in-progress	291	166
Finished goods and goods for resale	5,838	7,779
	7,435	9,096

In the opinion of the directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

14 Debtors

	Group		Company	
	2003	*2002*	*2003*	*2002*
	£'000	*£'000*	*£'000*	*£'000*
Amounts falling due within one year:				
Trade debtors	3,437	3,500	–	–
Amounts owed by Group undertakings	–	–	1,151	20
Amounts owed by associated undertakings	39	64	–	–
Other debtors	22	40	–	–
Prepayments and accrued income	529	245	7	–
	4,027	3,849	1,158	20
Amounts falling due after more than one year:				
ACT recoverable	–	89	–	38
	4,027	3,938	1,158	58

15 Creditors: Amounts falling due within one year

	Group		Company	
	2003	*2002*	*2003*	*2002*
	£'000	*£'000*	*£'000*	*£'000*
Obligations under hire purchase contracts and finance lease agreements	283	279	–	–
Bank loans and overdrafts (secured)	5,979	3,969	3,665	753
Amounts owed to group undertakings	–	–	380	–
Trade creditors	3,201	3,058	–	–
Other creditors				
– social security and PAYE	397	364	–	–
– VAT	219	287	–	–
Accruals and deferred income	917	666	329	45
	10,996	8,623	4,374	798

Under the terms of the relevant facility agreements, the bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group, and the Company and its subsidiary undertakings have given cross-guarantees in respect of the borrowings.

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Obligations under hire purchase contracts and finance lease agreements, all payable within five years	373	654	–	–
Bank loans (secured – note 15)	–	2,000	–	2,000
	373	2,654	–	2,000

The maturity profile of the Group's financial liabilities at 31 March 2003 was as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts				
In one year or less	5,979	3,969	3,665	753
In more than one year but not more than two years	–	2,000	–	2,000
In more than two years but not more than five years	–	–	–	–
	5,979	5,969	3,665	2,753
Finance leases				
In more than one year but not more than two years	277	282	–	–
In more than two years but not more than five years	96	372	–	–
	373	654	–	–
In one year or less	283	279	–	–
	656	933	–	–
Total borrowings including finance leases				
In more than one year but not more than two years	277	2,282	–	2,000
In more than two years but not more than five years	96	372	–	–
	373	2,654	–	2,000
In one year or less	6,262	4,248	3,665	753
	6,635	6,902	3,665	2,753

17 Derivatives and other financial instruments

The Group utilises derivative financial instruments to manage risk relating to foreign currency exposures to give greater certainty of future income and costs.

The Group maintains bank accounts in all major currencies and operates its own internal hedging. The advent of the euro has simplified this. Forward currency contracts for periods of approximately 0 to 6 months are used to hedge any exposures which are not covered internally.

Transactions are only undertaken with counterparties which meet pre determined credit risk criteria. The Group does not hedge balance sheet or profit and loss account translation exposures.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and Other Financial Instruments: Disclosures FRS 13". Certain financial assets such as investments in subsidiaries and associated companies are excluded from the scope of these disclosures. Further details of the Group's policy for managing financial risk are described in the Financial Review on pages 6 to 7.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate profile

The Group has no financial assets other than cash deposits of £71,000 (2002 – £151,000) which are part of the financing arrangements of the Group. The interest on these financial assets is a floating rate based on either LIBOR or the rate set by the ECB for the Euro zone area.

The interest rate profile of the Group's financial liabilities at 31 March 2003 was as follows:

	Fixed rate		*Floating rate*	
	2003	*2002*	*2003*	*2002*
	£'000	*£'000*	*£'000*	*£'000*
Sterling borrowings	–	–	5,979	5,969
Sterling non-equity shares – A preference shares	250	250	–	–
Sterling non-equity shares – B preference shares	2,800	2,800	–	–

	Weighted average interest rate	*Weighted average period for which rate is fixed Years*
Non-equity shares	1%	–
Non-equity shares	7%	5

The interest rate on floating rate sterling financial liabilities is linked to HSBC Bank base rate.

17 Derivatives and other financial instruments (continued)

Currency exposures

The table below shows the Group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas operations. As at 31 March 2003 these exposures were as follows:

	Functional currency of Group operation	
	2003 Sterling £'000	*2002 Sterling £'000*
Net foreign currency monetary assets/(liabilities)		
– European currencies	(230)	(32)
– Scandinavian currencies	880	835
– US dollar	(10)	22
– Japanese yen	(52)	123
– Swiss franc	(14)	(9)
	574	939

Borrowing facilities

The Group's bank borrowing facilities comprise term loans which were fully drawn at 31 March 2003 and a multi-currency overdraft facility which is renewed annually in August.

The Group had undrawn committed facilities at 31 March 2003 in respect of which all conditions precedent had been met as follows:

	2003 £'000	*2002 £'000*
Expiring in one year or less	1,521	1,531
Expiring in more than one year but not more than two years	–	–
	1,521	1,531

Fair values

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 March 2003.

	2003		*2002*	
	Book value £'000	*Fair value £'000*	*Book value £'000*	*Fair value £'000*
Primary financial instruments held or issued to finance the Group's operations				
Financial liabilities due within one year	(6,262)	(6,262)	(4,248)	(4,248)
Financial liabilities due after more than one year	(373)	(373)	(2,654)	(2,654)
Cash at bank and in hand	71	71	151	151

The book value of borrowings approximates to fair value as the debt is floating rate and payments are reset to market rate on a monthly basis.

The book value of non-equity shares at 31 March 2003 was £3,050,000 (2002 – £3,050,000) and their approximate fair value was £3,050,000 (2002 – £3,050,000).

At the current year-end, and end of the prior year the fair value of derivatives was not material.

17 **Derivatives and other financial instruments (continued)**

Gains and losses on hedges

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on sales and purchases denominated in foreign currencies immediately those sales and purchases are transacted. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

At 31 March 2003 there were £nil net losses on forward foreign currency contracts (2002 – £nil).

18 **Provisions for liabilities and charges**

	Group		*Company*	
	2003	*2002*	*2003*	*2002*
	£'000	*£'000*	*£'000*	*£'000*
Deferred taxation				
Excess of tax allowances over book depreciation of fixed assets	–	–	–	70
Tax losses available	–	–	–	–
	–	–	–	70

The movement during the year was as follows:

	Group		*Company*	
	2003	*2002*	*2003*	*2002*
	£'000	*£'000*	*£'000*	*£'000*
Beginning of year	–	–	70	82
Credit charge to profit and loss account	–	–	(70)	(12)
End of year	–	–	–	70

19 Called-up share capital

	2003 £'000	2002 £'000
Authorised		
37,600,000 (2002 – 37,600,000) ordinary shares of 5p each	1,880	1,880
250,000 1% redeemable A preference shares of £1 each	250	250
8,000,000 7% convertible redeemable B preference shares of 5p each	400	400
	2,530	2,530
Allotted, called-up and fully paid		
36,147,123 (2002 – 36,147,123) ordinary shares of 5p each	1,807	1,807
250,000 1% redeemable A preference shares of £1 each	250	250
8,000,000 7% convertible redeemable B preference shares of 5p each	400	400
	2,457	2,457

Options held by and granted to Directors are set out in Note 8.

The Company has granted options in respect of 507,737 ordinary shares of 5p each (2002 – 609,547 ordinary shares of 5p each). The options are exercisable up to 11 November 2009 at prices ranging from 45p to 153p per share.

The 1% redeemable A preference shareholders have a right to receive a fixed cumulative dividend of 1% per annum on their nominal value in priority to all other dividends or distributions made by the Company.

The 7% convertible redeemable B preference shares have a right to receive a fixed cumulative dividend of 7% per annum on their subscription price in priority to all other dividends or distributions made by the Company save for the 1% redeemable preference dividend.

The B preference shares will be convertible into ordinary shares on the basis of 1 ordinary share for each 1 B preference share (equivalent to a conversion price of 35 pence) after the later of the second anniversary of their subscription and the opening of five outlets in the United States, one of which is to be a flagship store in Manhattan, by the Joint Venture. If the Joint Venture does not open the required number of outlets in the United States, the B preference shares cannot be converted into ordinary shares. If they have not then been converted, the B preference shares will be redeemed by the Company at 35 pence per share on the eighth anniversary of their subscription.

A preference shareholders have priority over B preference shareholders on a return of assets by the Company, either through liquidation, capital reduction or otherwise (with the exception of redemption of or purchase by the Company of its own shares). Redemption of the A preference shares in cash at par shall be made on termination of the master licence agreement with the preference shareholder.

Preference shareholders have no voting rights.

Non equity shareholders funds are analysed between the 1% A preference shares and the 7% B preference shares as follows:

	2003 £'000	2002 £'000
A preference shares	254	251
B preference shares	2,755	2,559
	3,009	2,810

Options have been granted under the following schemes to subscribe for ordinary shares of the Company as follows:

Scheme	*Number of shares under option*	*Subscription price per share*	*Exercise period*
1996 approved	77,328	£1.53	21.05.01 to 21.05.06
1996 approved	125,000	£0.45	11.11.04 to 11.11.09
1996 unapproved	300,000	£1.53	21.05.99 to 21.05.03
1996 unapproved	5,409	£1.53	21.05.01 to 21.05.03

20 Reserves

a) Group

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Preference dividend reserve £'000	Profit and loss account £'000
Beginning of year	8,941	204	154	51	(2,872)
Currency translation differences on foreign currency net investments	–	–	–	–	50
Cost of prior year issue of shares	(10)	–	–	–	–
Loss for the year	–	–	–	–	(2,202)
Dividends on non-equity shares	–	–	–	199	(199)
Amortisation of revaluation surplus	–	(31)	–	–	31
End of year	8,931	173	154	250	(5,192)

b) Company

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Preference dividend reserve £'000	Profit and loss account £'000
Beginning of year	8,941	204	154	51	(2,870)
Cost of prior year issue of shares	(10)	–	–	–	–
Loss for the year	–	–	–	–	(1,837)
Dividends on non-equity shares	–	–	–	199	(199)
Amortisation of revaluation surplus	–	(31)	–	–	31
End of year	8,931	173	154	250	(4,875)

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off is £165,000 (2002 – £165,000).

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Loss for the financial year	(2,202)	(1,754)	(1,837)	(3,641)
Currency translation differences on foreign currency net investments	50	(80)	–	–
Dividends on non-equity shares	(199)	(199)	(199)	(199)
Transfers to preference dividend reserve	199	51	199	51
Net reduction to shareholders' funds	(2,152)	(1,982)	(1,837)	(3,789)
Opening shareholders' funds	8,935	10,917	8,937	12,726
Cost of prior year issue of shares	(10)	–	(10)	–
Closing shareholders' funds	6,773	8,935	7,090	8,937

NOTES TO FINANCIAL STATEMENTS
(continued)

22 Cash flow information

a) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2003 *£'000*	*2002* *£'000*
Operating loss	(1,662)	(813)
Depreciation charge	862	818
(Profit)/loss on sale of tangible fixed assets	37	(17)
Decrease/(increase) in stocks	1,661	(1,718)
Increase in debtors	(178)	(14)
Increase/(decrease) in creditors	518	(548)
Effect of foreign exchange rate changes	55	44
Net cash inflow/(outflow) from operating activities	1,293	(2,248)

b) Analysis of cash flows for headings netted in the consolidated cash flow statement

	2003 *£'000*	*2002* *£'000*
Returns on investments and servicing of finance		
Interest paid	(380)	(285)
Interest element of finance leases and hire purchase contracts	(73)	(35)
Preference dividends paid	–	(259)
Net cash outflow for returns on investments and servicing of finance	(453)	(579)
Capital expenditure		
Purchase of tangible fixed assets	(673)	(2,172)
Proceeds from sale of tangible fixed assets	73	26
Net cash outflow for capital expenditure and financial investment	(600)	(2,146)
Financing		
Cost of prior year issue of shares	(10)	–
New loans	–	1,000
Capital element of hire purchase contracts	(318)	(171)
Net cash (outflow)/inflow from financing	(328)	829

c) Analysis of net debt	*At 1 April 2001 £'000*	*Cash flow £'000*	*Other non-cash changes £'000*	*At 1 April 2002 £'000*	*Cash flow £'000*	*Other non-cash changes £'000*	*At 31 March 2003 £'000*
Cash at bank	332	(181)	–	151	(80)	–	71
Overdraft	–	(3,969)	–	(3,969)	(10)	–	(3,979)
	332	(4,150)	–	(3,818)	(90)	–	(3,908)
Debt due after 1 year:							
– secured bank loans	(1,000)	(1,000)	–	(2,000)	–	2,000	–
Debt due within 1 year							
– secured bank loans	–	–	–	–	–	(2,000)	(2,000)
Finance leases	(107)	171	(997)	(933)	318	(41)	(656)
		(829)			318		
Total net debt	(775)	(4,979)	(997)	(6,751)	228	(41)	(6,564)

23 Financial commitments

a) Capital commitments

The Group had no capital commitments (2002 – £Nil)

b) Lease commitments

The Group leases certain land and buildings on short and long term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Buildings £'000	*Other £'000*	*Buildings £'000*	*Other £'000*
Group				
Operating leases which expire				
– within one year	72	17	35	84
– between two and five years	91	179	65	330
– after five years	1,241	–	1,476	–
	1,404	196	1,576	414
Company				
Operating leases which expire after five years	157	–	157	–

c) Pension costs

The Group operates non contributory money purchase schemes for Directors and employees and as such no unfunded liability can arise. The contributions by the Group to the schemes amounted to £250,000 (2002 – £237,000).

d) Forward exchange contracts

The Group has forward foreign exchange commitments of £145,000 at 31 March 2003 (2002 – £nil).

e) US joint venture

The Group is committed to providing $1m of funding to a joint venture engaged in the opening of five outlets in the United States as part of the conditions of conversion of the 7% B preference shares.

NOTES TO FINANCIAL STATEMENTS
(continued)

24 Related party transactions

During the year the Group entered into transactions with Mulberry Oslo AS as follows:

	2003 £'000	2002 £'000
Sales (excluding VAT)	209	311
Amounts owed by Mulberry Oslo AS at year end	39	64

The Group leases its headquarters, Kilver Court, from the Mulberry Directors' Executive Pension Scheme. The lease is for a period of 25 years from 30 May 1995. The rent was £85,000 for the first year of the lease, increasing annually to £120,000 in the fifth year of the lease, and subject to review every five years. The rent increased to £157,000 as a result of the rent review on 30 May 2000.

During the year the Company entered into transactions with an entity controlled by Roger Saul and Marion Saul, as follows:

Kilver Court Trading Limited (trading as Charlton House Hotel).

	2003 £'000	2002 £'000
Sales (excluding VAT)	17	15
Purchases	11	25
Amounts owed by Charlton House Hotel at year end	8	7
Amounts owed to Charlton House Hotel at year end	–	–

Mul 21 (UK) Ltd operates the store at 171-175 Brompton Road in London under the terms of a franchise agreement which was signed in November 2001. MUL 21 (UK) Ltd is an associated company of Challice, a major shareholder of the Group.

MUL 21 (UK) Ltd		
Sales (excluding VAT)	863	523
Purchases	–	–
Amounts owed by MUL 21 (UK) Ltd at year end	164	203
Amounts owed to MUL 21 (UK) Ltd at year end	–	–

25 Subsequent event

On 5 August 2003 the Group announced an open offer to raise £3,531,000 subject to the approval of shareholders. The offer is fully underwritten by Challice Limited, a major shareholder.

On 5 August 2003 the Group renegotiated its banking facilities to comprise an overdraft facility of £3,500,000, renewable annually, and a revolving credit facility of £4,000,000 with a twenty three month term and an option to extend the term by a further year.

FIVE YEAR SUMMARY

	Year ended 31 March 1999 £'000	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000
Turnover	27,393	26,390	25,723	27,817	28,177
Cost of sales	(14,974)	(12,945)	(11,904)	(13,873)	(15,499)
Gross profit	12,419	13,445	13,819	13,944	12,678
Other operating expenses (net)	(13,291)	(13,492)	(13,149)	(14,757)	(14,340)
Operating (loss)/profit	(872)	(47)	670	(813)	(1,662)
Loss on disposal of fixed assets	–	–	–	(593)	–
Finance charges (net)	(860)	(635)	(394)	(343)	(450)
Group share of (loss)/profit of related companies	(47)	16	27	1	1
(Loss)/profit on ordinary activities before taxation	(1,779)	(666)	303	(1,748)	(2,111)
Tax on (loss)/profit on ordinary activities	(8)	(14)	(2)	(6)	(91)
(Loss)/profit on ordinary activities after taxation	(1,787)	(680)	301	(1,754)	(2,202)
(Loss)/earnings per share	(8.57p)	(3.24p)	0.65p	(5.40p)	(6.64p)

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Kilver Court, Shepton Mallet, Somerset on 1 September 2003 at 10 am for the following purposes:

Ordinary Business:

Adoption of financial statements

1. To receive and adopt the report of the Directors and the financial statements for the year ended 31 March 2003 together with the independent auditors' report.

Re-election of retiring Director

2. To re-elect Mr E Vandyk who retires as a Director by rotation in accordance with the Company's Articles of Association.

Appointment of auditors

3. To re-appoint Deloitte & Touche LLP as auditors of the Company and resolve that their remuneration be agreed by the Directors.

BY ORDER OF THE BOARD

G G Rutherford
Secretary

Registered office:
Kilver Court
Shepton Mallet
Somerset
BA4 5NF

Date: 5 August 2003

Notes:

1. All members who hold ordinary shares are entitled to attend and vote at the meeting. Members who are entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him, and a proxy need not also be a member. A Form of Proxy is enclosed. If you do not intend being present at the meeting please sign and return it so as to reach the Company's registrar at least 48 hours before the meeting. The return by a member of a duly completed Form of Proxy will not preclude any such member from attending in person and voting at the meeting.

2. The register of Directors' interests in the shares of the Company and copies of the Directors' service contracts, other than those expiring or determinable without payment of compensation within one year, are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday and public holidays excluded) from the date of this notice until the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

FORM OF PROXY

I/We ....

(NAMES IN FULL – IN BLOCK CAPITALS PLEASE)

of (Address) ....

(POSTAL ADDRESS IN FULL – IN BLOCK CAPITALS PLEASE)

....

Being a member/members of Mulberry Group plc, hereby appoint the Chairman of the meeting

or ....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Kilver Court, Shepton Mallet, Somerset on 1 September 2003 at 10 am and at any adjournment thereof.

I/We direct my/our proxy to vote on the Resolutions in the manner indicated below with a tick.

Signature ....

Date ....

ORDINARY BUSINESS

	FOR	*AGAINST*
Resolution 1		
Resolution 2		
Resolution 3		

Notes

1. Please indicate with a tick in the space above how you wish your vote to be cast. If you sign and return the form without any specific directions the proxy will abstain or vote at his discretion.
2. To be effective the proxy must be received, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority at Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA not later than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
3. In the case of joint holders, the vote of the senior who tenders a vote in person or by proxy shall be accepted, seniority being determined by the order in which the names stand in the Register of Members.
4. A shareholder may appoint any other person of his choice who need not be a member of the Company, to be his proxy, such person's name where applicable should be inserted here.
5. Any amendments to this form of proxy should be initialled.
6. Completion of this form of proxy does not prevent you from attending the meeting and voting in person.

Second Fold

BUSINESS REPLY SERVICE
Licence No. SWB1002

1

COMPUTERSHARE INVESTOR SERVICES PLC

PO Box 1075

The Pavilions

Bridgwater Road

Bristol

BS99 3FA

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Third Fold (tuck in)